

Deutsche Telekom Investor Day. On Our Way To A New DT – “Fix – Transform – Innovate”

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René Obermann

Life is for sharing.



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Guidance 2010¹ confirmed.

Guidance assumes constant currencies and no further significant economic deterioration
(Basis 2009 average exchange rates: 1€ = 1.39US\$)

Adj. Group EBITDA

▪ **Around €20 billion**

Free Cash Flow

▪ **Around €6.2 billion**



DT Group Strategy

Strategy achievements 2007 - 2009

Our strategy is driven by our core beliefs

DT's strategy is evolving: "Fix – Transform – Innovate"



Strategy was “Focus, Fix & Grow”: Key achievements since 2007.

- **German fixed business:** Clear No.1 in German broadband with 45% net adds share, >1 mn IPTV packages sold
- **German mobile:** service revenue market leadership, return to revenue growth in Q4 2009
- **Service:** CRMT introduced, major service KPI's improved
- **Save4Service:** € 5.9 bn gross savings

Improve
competitiveness
in Germany
and SEE

Grow abroad
with mobile

- **Growth:** 7% revenue and 10% EBITDA growth between 2007 and 2009
- **Successful intra-market consolidation in NL**
- **OTE:** 30% stake acquired in 08/09
- **Joint Venture in UK**

- **Mobile Data revenue growth:**
> € 1bn in rev's per quarter
- **New devices and platforms:**
iPhone 3G, G1, Android etc.
- **New innovative products:**
Media center across all DT screens,
program manager, MyCommunity etc.

Mobilize
the Internet

Build
network-centric
ICT

- **Big deals:** Shell, DPWN, Sparkassen, BMW, Phillips
- **Restructuring:** strong cost cutting and margin improvement
- **Refocusing:** Cognizant partnership, focus on Top 400 clients



DT Group Strategy

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Our strategy is driven by our core beliefs on the future of the telecoms industry.

Network

1

- Infrastructure remains a key value driver in light of continued traffic growth

2

- NGN networks and IT infrastructure will be essential to increase efficiencies and address new strong traffic growth reality

Growth Opportunities

3

- Growth in mobile internet and online consumer services

4

- Consumers will look for seamless customer experience across all screens

5

- Significant growth potential from dynamic cloud computing

6

- Potential for intelligent networks in transforming industries such as energy, healthcare, media distribution and the connected car

Local Strength

7

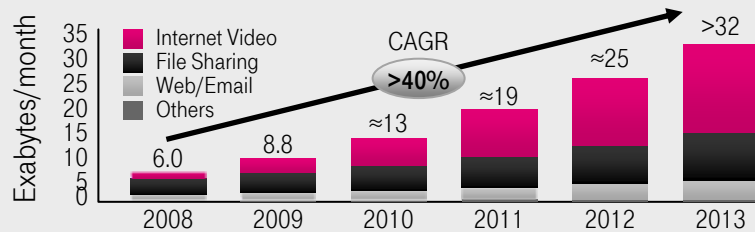
- Strong local market positions are essential to drive profitability



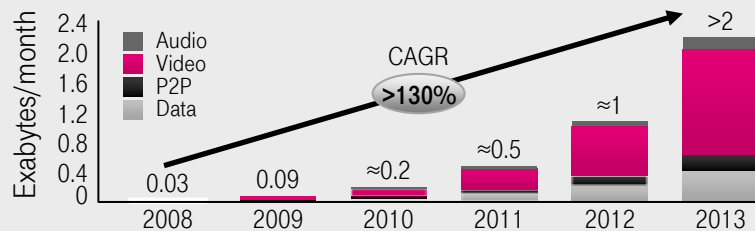
Core Beliefs 1&2 – Infrastructure: NGN and NG IT will be critical success factors for the strong traffic growth.

Continued strong traffic growth...

Global internet traffic forecast¹



Global mobile data traffic forecast¹



...requires comprehensive response

- Broadband access in wireless and fixed
 - HSPA+/ LTE
 - VDSL
 - FTTH
- Next Generation Network (NGN)
 - All-IP backbone – Germany 2015
 - Up to 10% homes passed with FTTH² in Germany by YE 2012 within current capex envelope
- Next Generation IT (NG IT)
 - Reduced number of applications
 - Focus on off-the-shelf commercial software
 - Consolidation of data centers

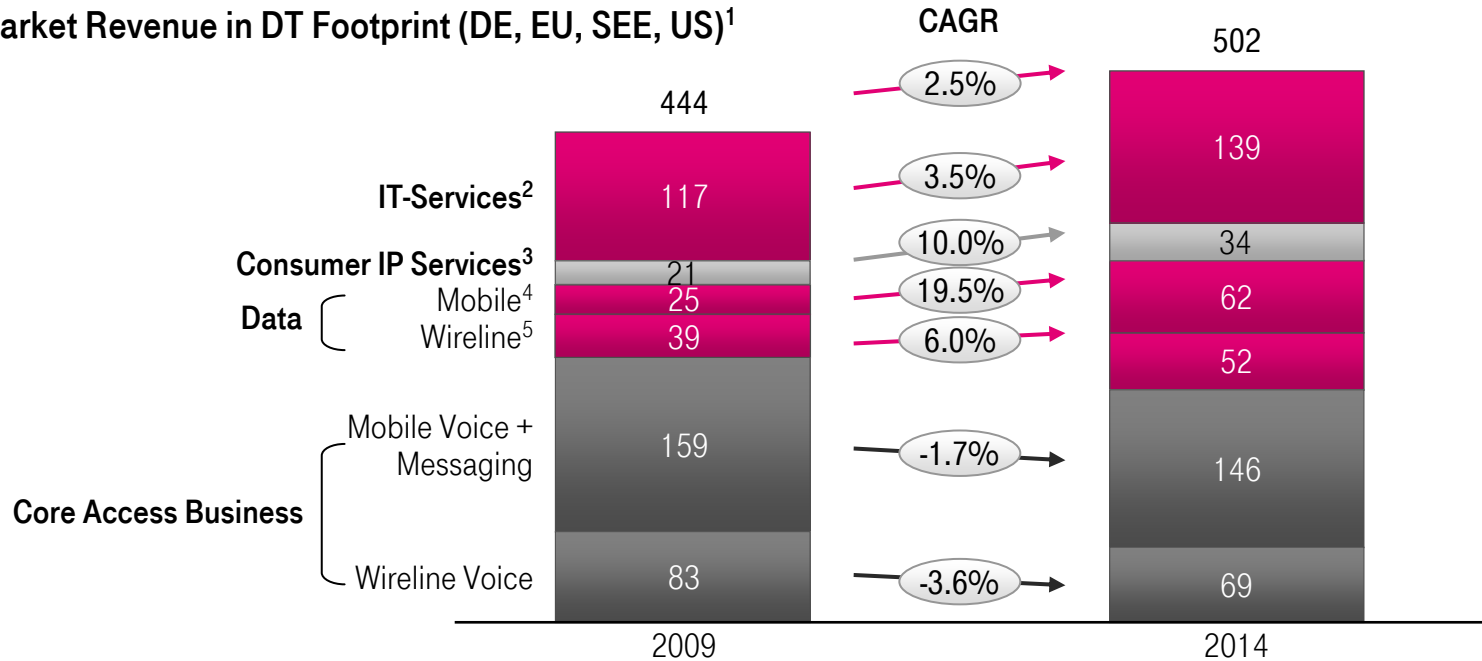


1) Source: Cisco, June 2009
2) Up to 10% of all fixed line households; FTTH rollout will be based on economical efficiency; Regional focus and timing will be adopted dynamically

Core Belief 3 – Growth Segments: Overall addressable market is growing.

Total Market Revenue in DT Footprint (DE, EU, SEE, US)¹

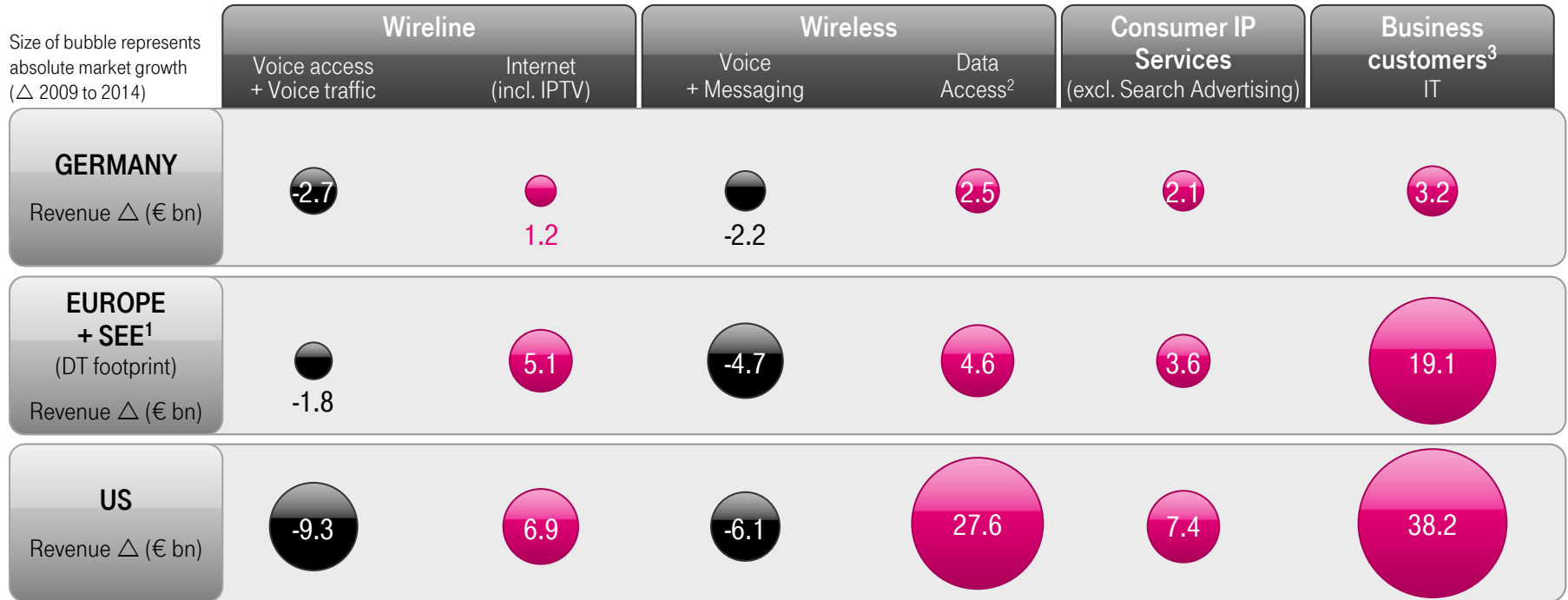
€ bn



Source: Deutsche Telekom estimates, Pyramid Research, PWC 1) EU = UK, Poland, CZ, AT, NL; SEE = HU, HR, MK, SK, GR, BUL, ROM, ALB;

2) IT Services = Systems Integration, Desktop Services, Computing Services; WE incl. Germany only; 3) excl. Search Advertising, 4) excl. Messaging, 5) including IPTV

Future pockets of growth mainly in Mobile Data and Consumer IP Services.



Source: Deutsche Telekom estimates; Pyramid Research; PWC; 1 EU = UK, Poland, CZ, AT, NL;

SEE Wireless = HU, HR, MK, SK, GR, BUL, ROM, ALB; 2) Wireless Data Access excl. content commission; 3) Business customers excluding Rest of world, IT = Systems Integration, Desktop Services, Computing Services; EU footprint for business customers means T-Systems footprint in Western Europe

● Market shrinkage

● Market growth



Core Belief 5 – Dynamic Cloud Computing: Significant growth potential.

Cloud Computing Strategies

Type of service:

Provider (examples):

Private Clouds

- Selected DC
- Dedicated DC



..T..Systems..

Public Clouds

- Shared DC



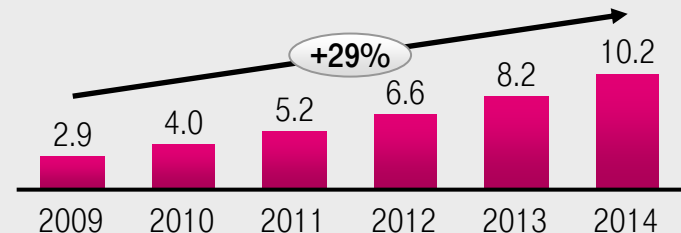
Google
amazon.com

Cloud Computing Characteristics

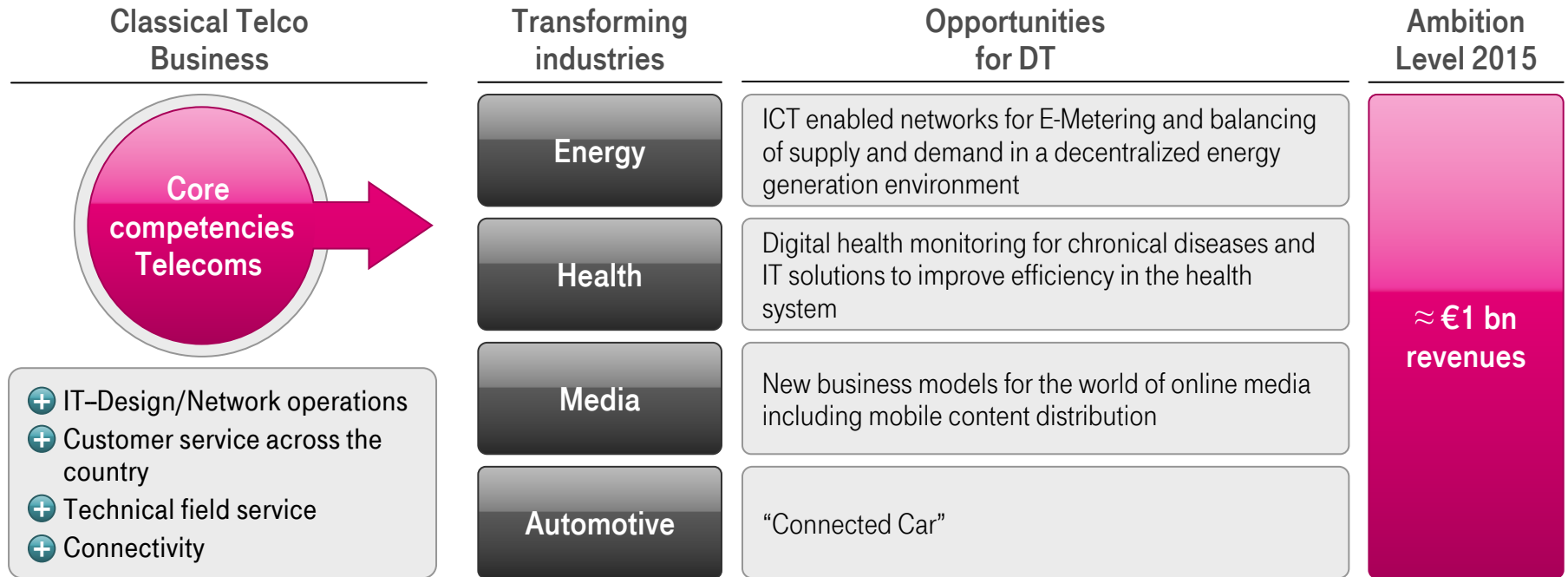
Customers are using IT-Services

- when they need it (dynamic),
- how much they need it (scalable),
- and to pay just for how much they need it (pay per use)






Private Cloud Services Market Western Europe (in €bn)¹



Core Belief 6 – Intelligent Networks: Growth opportunities in transforming industries.



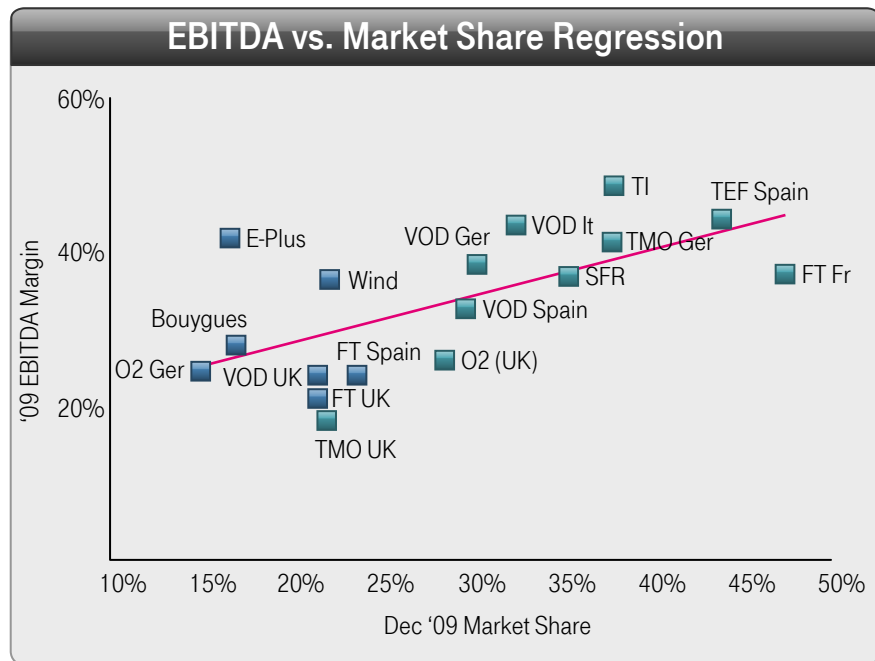
Core Beliefs 3 to 6 – Growth Opportunities: Aim to almost double revenues from growth areas until 2015

DT's Growth Areas	2009	Ambition Level 2015	CAGR 09-15
	Revenue in € bn.	Revenue in € bn.	
Mobile Internet	4	 ≈10	+17%
Connected Home Double & triple play, Home Gateway and Communication Suite	5	 ≈7	+6%
Online Consumer Services	0.8	 2 - 3	+16-25%
T-Systems external revenue incl. Cloud Services	6	 ≈8	+5%
Intelligent Networks in Energy, Health, Media Distribution, Connected Car	0	 ≈1	-



Core Belief 7 – Local Strength:

Strong local market positions are essential to drive profitability.



- There is a strong correlation between market share and profitability
- Market leaders in key European wireless markets enjoy an average 37% EBITDA margin vs. an average 28% for No. 3/No. 4 players
- We are striving for market leading positions in all our businesses



DT Group Strategy

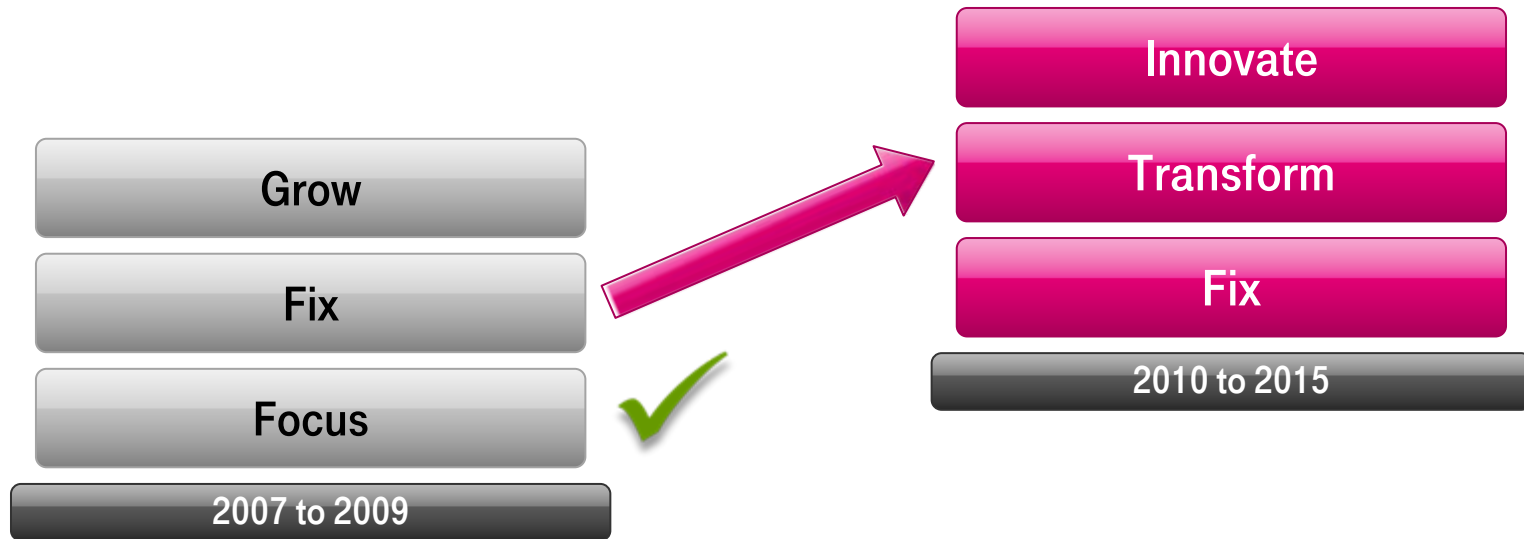
Strategy achievements 2007 - 2009

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DT's strategy is evolving: "Fix – Transform – Innovate"



Our strategy is evolving.



“Fix – Transform – Innovate” will be implemented through five initiatives.



Improve performance of mobile-centric assets.



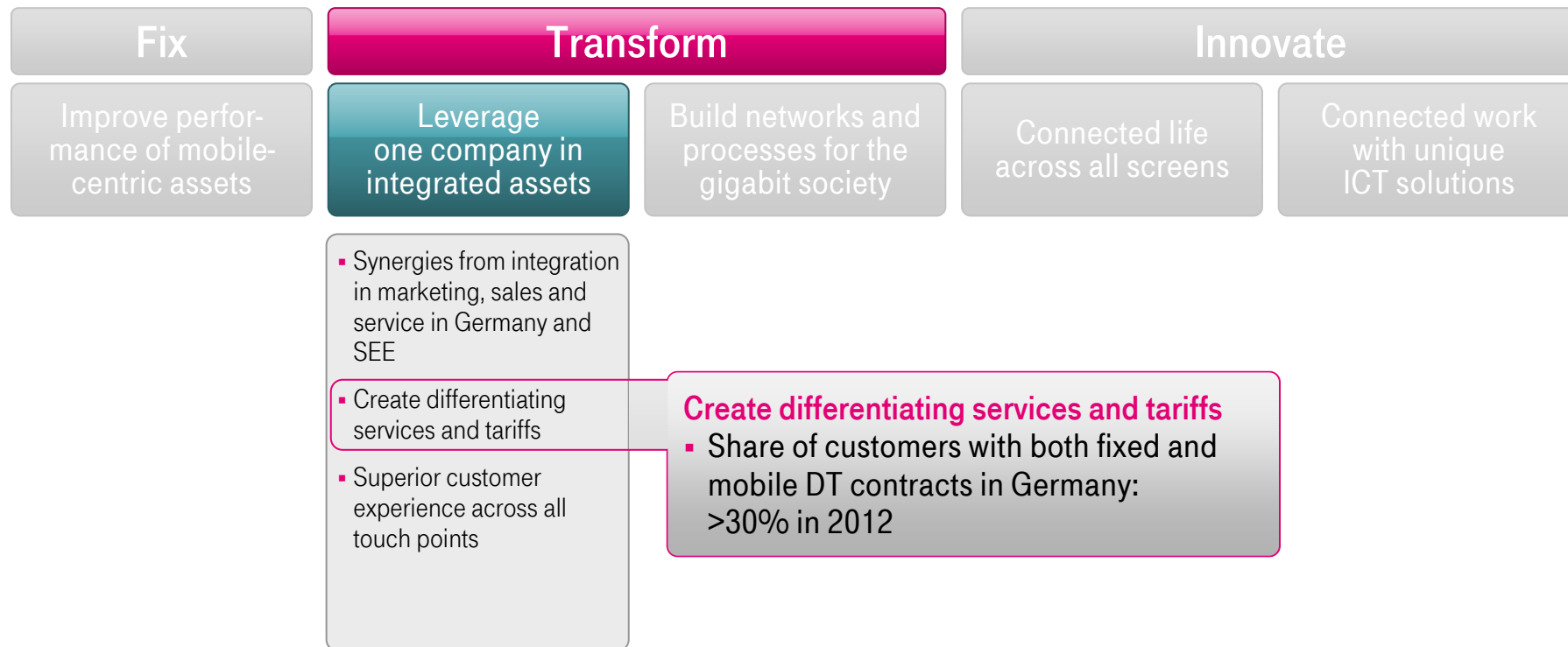
- Regain attractive market position in the US
- Make Joint Venture in the UK a success story
- Continue operational and financial improvements in the Netherlands and Austria
- Further strengthen competitiveness in Poland and Czech Republic

Regain attractive market position in the US

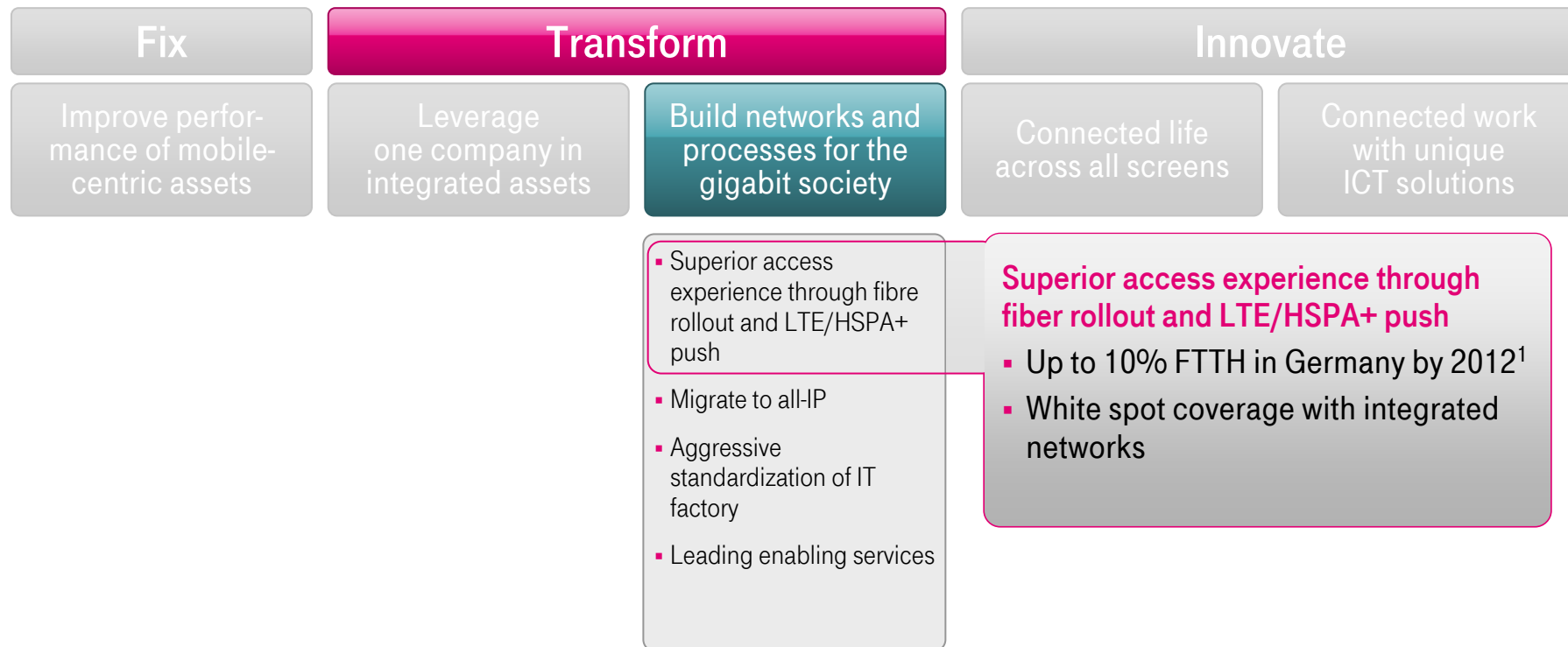
- Service revenue OIBDA margin ambition of 35% by 2012
- Contract Churn rate below 1.8% by 2012
- Closing of data APPU gap to competitors by 60% until 2012



Leverage one company in integrated assets.

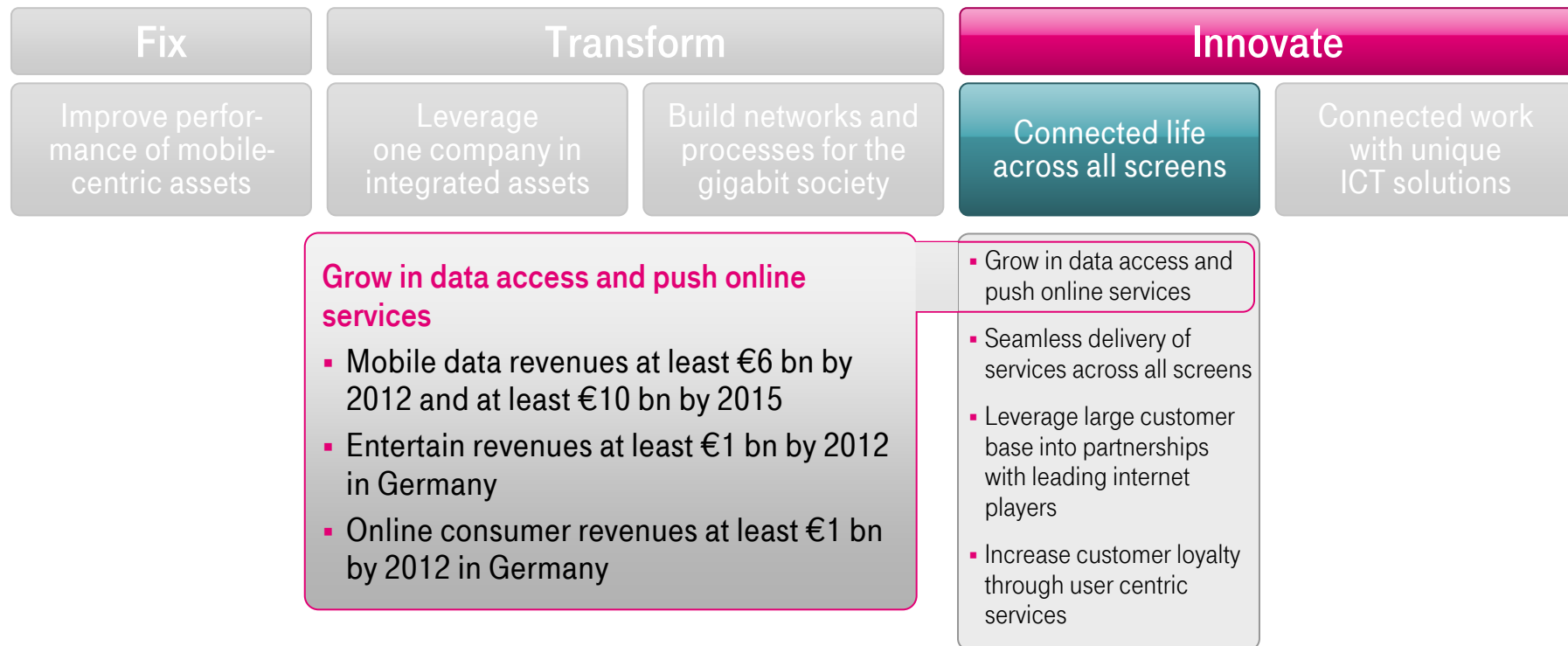


Build networks and processes for the gigabit society.

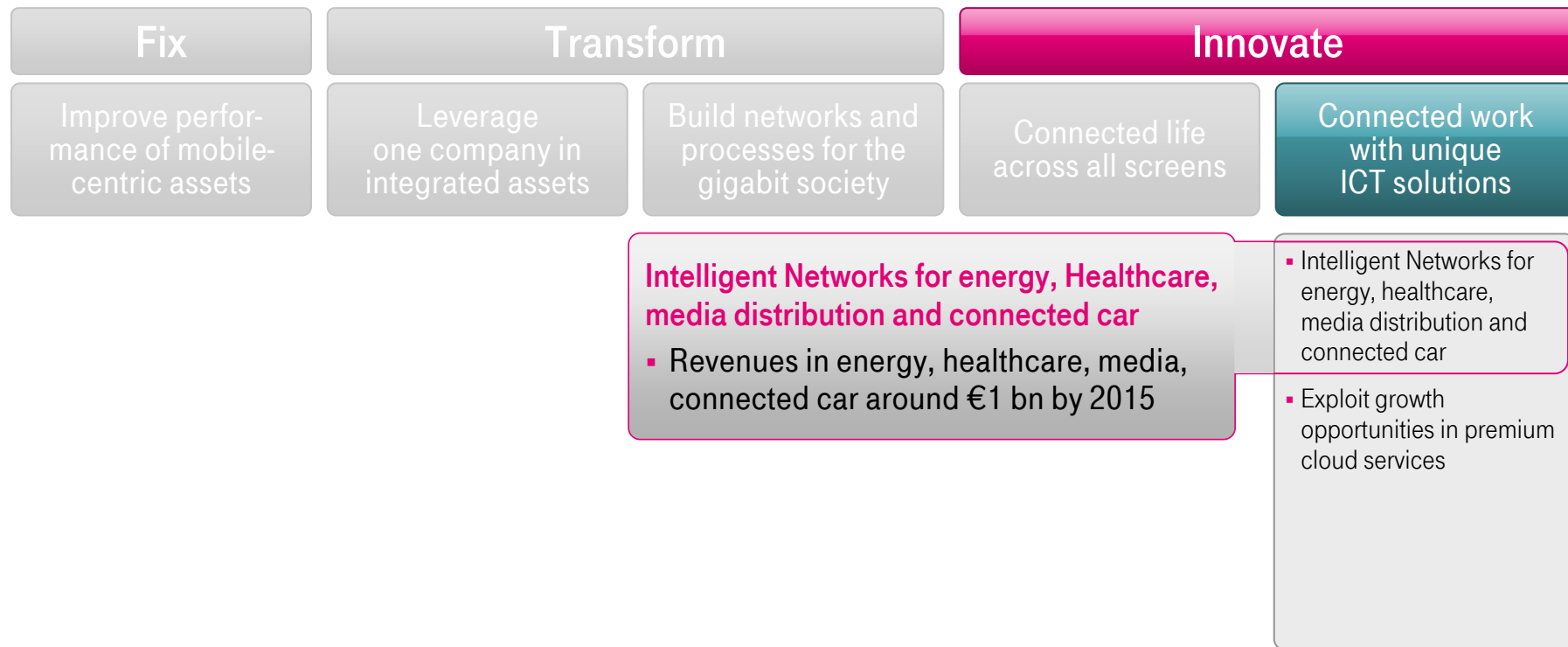


1 10% of all fixed line households; FTTH rollout will be based on economical efficiency ; Regional focus and timing will be adopted dynamically

Connected life across all screens.



Connected work with unique ICT solutions.



On our way to a new DT – What is going to change.

- Moving from an “access only” business model towards “access plus”
- Exploit pockets of growth in mobile internet, non-access business, ICT opportunities like Cloud Services and intelligent networks
- Moving towards integration of fixed and mobile in network, product & innovation and services where reasonable
- Efficient capital allocation: No major M&A and capex focus on transformation and growth
- Strong commitment to shareholder value generation and shareholder remuneration
- New stakeholder-oriented incentive program incl. EPS/ROCE, based upon share ownership



DT group ambition level 2012.

Group wide TV customers

Group wide mobile customers

Group wide fixed broadband retail customers

Revenues

Save for Service 2010-2012

FCF

ROCE

Shareholder Remuneration 2010-2012

Ambition Level 2012

5.5 – 6 million

> 140 million¹

> 18 million

> €6bn mobile internet revenues

German revenues stabilized

€4.2bn savings, of which €1.8bn net savings in Germany and SEE

Increasing from 2010 level of around €6.2bn

+ >150bps

€3.4bn per annum, €0.70 minimum dividend per share +
share buybacks

